

Message Text

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TAGS: EAIR, CA

SUBJ: CIVAIR: AIR CANADA'S VIEWS ON THE CHARTER-
SCHEDULED SERVICES RELATIONSHIP

REF: OTTAWA 3647, PARA 2

FOLLOWING IS TEXT OF LETTER BY AIR CANADA PRESIDENT
CLAUDE TAYLOR PUBLISHED IN THE SEPT 4 ISSUE OF THE ECONOMIST
(LONDON) UNDER THE HEADLINE "IATA AND AIR CANADA":

BEGIN TEXT. SIR--YOUR ISSUE OF JULY 17TH PUTS FORWARD
YOUR VIEWS ON THE CONTROL OF SCHEDULED AIRLINES AND CHARTER
CARRIERS. IN IT YOU DESCRIBE IATA AS A CARTEL. THIS IS
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BOTH PEJORATIVE AND MISLEADING. IATA DOES NOT FIX

PRICES NOR THE SCHEDULES AND THUS CANNOT BE LABELLED A CARTEL BY ANY STRETCH OF THE IMAGINATION. THE ASSOCIATION SIMPLY PROVIDES A FORUM FOR AIRLINES TO DISCUSS TARIFFS AND TO SEEK AGREEMENT ON WHAT WILL BE PUT BEFORE GOVERNMENTS. IT IS GOVERNMENTS WHICH MAKE REGULATIONS AND WHICH DETERMINE WHAT PRICES WILL OR WILL NOT BE CHARGED. NO GOVERNMENT CAN ACT UNILATERALLY AND AS MANY NATIONAL GOVERNMENTS ARE INVOLVED, IT IS SELF-EVIDENT THAT THE PUBLIC INTEREST IS WELL CONSIDERED.

APART FROM THAT, AIR CANADA, A PUBLICLY OWNED, PROFIT-MOTIVATED AIRLINE, BELIEVES THAT WHATEVER VALIDITY YOUR IDEAS MAY HAVE IN A GENERAL WAY, THEY DO NOT APPLY TO THE CANADIAN NORTH ATLANTIC TRAVEL MARKET OR TO THE CANADIAN AIRLINE ENVIRONMENT. CANADIANS WHO HAVE COMPELLING REASONS FOR TRAVELLING TO AND FROM EUROPE ARE ENTITLED TO THE OPPORTUNITY OF GOING AND COMING ON CANADIAN AIRLINES AND TRAVELLING TO OR FROM CANADIAN DESTINATIONS. IF THE PRESENT TREND GOES ON, THEIR RIGHT TO DO SO MAY BE IN JEOPARDY.

AIR CANADA BELIEVES THAT SOME REASONABLE BASIS FOR HARMONISING CHARTER OPERATIONS WITH SCHEDULED SERVICES MUST BE FOUND. BOTH MUST SURVIVE IF THE TRAVELLING PUBLIC IS TO BE PROPERLY SERVED. AS THINGS STAND, NEITHER CAN LOOK FORWARD WITH ANY REASONABLE DEGREE OF CONFIDENCE AND THIS IS ESPECIALLY TRUE FOR THE CANADA-EUROPE MARKET.

WERE IT NOT FOR SUCH INITIATIVES AS CHARTER CLASS FARES, UNREGULATED CHARTER SERVICE, FOR THE MOST PART OPERATING WHAT AMOUNTS TO SEASONAL SCHEDULED SERVICE, COULD FORCE REDUCTIONS IN THE FREQUENCY AND QUALITY OF SCHEDULED SERVICES. CANADA IS PARTICULARLY VULNERABLE SINCE BECAUSE OF ITS SMALL POPULATION ITS SERVICES ARE LIKELY TO BE SO AFFECTED BEFORE THE IMPACT IS FULLY FELT IN THE UNITED STATES. THIS WOULD CREATE AN INCONVENIENCE TO THOSE WHO MUST TRAVEL AND THEREFORE MUST RELY ON SCHEDULED SERVICES. SUCH INCONVENIENCE

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COULD LEAD TO A WHOLESALVE DIVERSION OF CANADIAN TRAFFIC TO FOREIGN AIRLINES SERVING THE UNITED STATES WHERE THE MUCH LARGER MARKET WILL BE ABLE TO SUPPORT SCHEDULED SERVICES FOR A LONGER PERIOD OF TIME. THIS WOULD NOT BE IN KEEPING WITH AIR CANADA'S ROLE AS A MAJOR NORTH ATLANTIC CARRIER OR WITH CANADA'S NATIONAL GOAL OF GIVING CANADIANS THE OPPORTUNITY TO TRAVEL ON CANADIAN AIRLINES WHEN THEY GO ABROAD.

IT IS NOT ACCURATE TO SUGGEST THAT SCHEDULED SERVICES ARE REQUIRED ONLY FOR "BUSINESSMEN AND POLITICIANS". MANY TRAVELLERS MUST FLY SCHEDULED SERVICES FOR VARIOUS URGENT PERSONAL REASONS. THEY ARE ENTITLED TO REGULAR SECHEDULED SERVICES AT REASONABLE COST AND AIR CANADA HAS THE RESPONSIBILITY TO ENSURE THAT IT CAN PROVIDE THEM WITH SUCH A SERVICE, SINCE THIS IS, AFTER ALL, A MAJOR RAISON D'ETRE FOR ALL INTERNATIONAL AIR SERVICES.

AIR CANADA IS ALL IN FAVOUR OF SIMPLIFIED NORTH ATLANTIC FARES AND OF PROVIDING THE LOWEST ECONOMIC FARES FOR ITS PASSENGERS. THAT IS WHY WE ARE SELLING SURPLUS CAPACITY SEATS AT PRICES AND CONDITIONS COMPARABLE TO THOSE AVAILABLE ON SCHEDULED CHARTER OPERATIONS.

IT IS WHY WE BELIEVE THAT CARRIERS THAT HAVE RESPONSIBILITY FOR PROVIDING SCHEDULED SERVICES IN AND OUT OF SEASON MUST BE ALLOWED TO DO SO ON AN ECONOMIC BASIS. YOUR ARTICLE ADMITS THAT INTERNATIONAL AIR TRANSPORTATION CANNOT BE "DEREGULATED" WHATEVER MAY THE CASE FOR DOMESTIC TRANSPORTATION IN THE UNITED STATES. THE DEBATE IS WHETHER OR NOT SCHEDULED CHARTER SERVICES SHOULD BE REGULATED TO FIT INTO THE OVERALL PATTERN OR LEFT TO ACT AS THEY PLEASE REGARDLESS OF THEIR EFFECT ON THE VIABILITY OF TRUE YEAR-ROUND SCHEDULED SERVICES BY AIRLINES DESIGNATED FOR THAT PURPOSE BY THEIR GOVERNMENTS.

IT IS A MISTAKE TO ASSUME THAT THERE IS A CHARTER MARKET AND A SCHEDULED MARKET. THERE IS A TRAVEL UNCLASSIFIED

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MARKET WITH TWO SEGMENTS--THOSE WHO TRAVEL AS A LEISURE ACTIVITY AND THOSE WHOSE TRIP IS NECESSARY. LEISURE TRAVELLERS ARE HIGHLY RESPONSIBLE TO PRICE AND, FOR THAT REASON ALONE, SEASONAL CHARTERS MAY SERVE THEM VERY WELL. FOR OTHERS, SCHEDULED SERVICE IS NECESSARY, BUT SCHEDULED SERVICE CAN ALSO ACCOMMODATE MANY LEISURE TRAVELLERS AS WELL AND THERE IS NO DOUBT NOW IT SHOULD DO SO, AND DOES.

THE PRESCRIPTION OF FEWER CONTROLS ON SCHEDULED LINES AND NONE AT ALL ON CHARTER CARRIERS IS UNREALISTIC IN THE INTERNATIONAL MARKETS OF THE NORTH ATLANTIC, BUT IT IS SUICIDAL FOR THE CANADA-EUROPE ROUTES. AT PEAK SEASON UP TO HALF THE CANADA-BRITAIN TRAFFIC IS ON CHARTER SERVICE. THE PROPORTION OF CANADA-EUROPE

PASSENGERS USING THE CHARTER MODE IS TWICE THAT OF THE UNITED STATES-EUROPE TRAVELLERS. AND THE CANADA-EUROPE MARKET IS MORE SEASONAL. OVER 52 PERCENT CANADA-EUROPE TRAFFIC IS IN THE JUNE-SEPTEMBER PERIOD: THERE ARE MORE THAN THREE TIMES AS MANY PASSENGERS IN JULY AS THERE ARE IN FEBRUARY.

AIR CANADA, WHICH IS A TAXPAYING CORPORATION WHOSE EARNINGS HAVE SO FAR MET THE BURDEN OF INTEREST ON ITS CAPITAL (AT INTEREST RATES HIGHER THAN THOSE PAID BY GOVERNMENT ITSELF), IS STILL A CORPORATION OWNED BY THE PEOPLE OF CANADA. ITS UNIQUE POSITION IS ONE WHICH IS WELL WORTH PRESERVING. WE HAVE PROVED WE CAN COMPETE WITH PRIVATE, PROFIT-MOTIVATED CARRIERS AND HAVE COMPETED WITH SUBSIDISED NATIONAL AIRLINES. WE BELIEVE THAT REGULATION WHICH TAKES THE FULL RANGE OF MARKET NEEDS INTO ACCOUNT IS A REASONABLE COURSE WHICH IS IN THE BEST INTEREST OF THE PUBLIC, THE VARIOUS NATIONAL INTERESTS CONCERNED AND FOR ALL THE TYPES OF AIRLINES INVOLVED. END TEXT.
ENDERS

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